

Message Text

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FM SECSTATE WASHDC

TO AMEMBASSY LONDON

C O N F I D E N T I A L STATE 085820

FOLLOWING REPEAT BRASILIA 2805 ACTION SECSTATE PARIS INFO RIO
DE JANEIRO SAO PAULO 14 APR

QUOTE

C O N F I D E N T I A L BRASILIA 2805

PARIS PASS ENDERS

E.O.11652: GDS

TAGS: ETRD, EAGR, BR

SUBJECT: COFFEE: GOB V

EWS ON BILATERAL DISCUSSIONS IN WASHINGTON

REF: A. STATE 61203 B. STATE 78040 C. RIO 2529 D. BRASILIA 2700

1. DURING THE PAST TWO WEEKS, EMBASSY DISCUSSED WITH GOB OFFICIALS
BRAZIL'S REACTION TO THE RECENT DISCUSSIONS IN WASHINGTON ON A NEW
COFFEE AGREEMENT. AMBASSAD DISCUSSED SUBJECT WITH MINISTER OF
INDUSTRY AND COMMERCE SEVERO GOMES AND ECONOMIC COUNSELOR HAD
OCCASION TO RAISE SUBJECT WITH MINISTER SOUTO MAIOR, AMBASSADOR
CABRAL DE MELLO, AND MINISTER SERGIO BATH(THE LATTER IN HIS CAPACITY
AS ACTING CHIEF OF THE FONOFF ECONOMIC DEPARTMENT DURING CABRAL DE
MELLO'S ABSENCE).

2. IN ESSENCE, THESE OFFICALS SAID:

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A. BRAZIL EXPECTS TO RAISE COFFEE DURING SECRETARY'S FORTHCOMING

VISIT, ALTHOUGH PERHAPS ONLY IN GENERAL TERMS: (COMMENT: POSSIBILITY EXISTS,

HOWEVER, THAT GOB MAZ SINGLE ONE OR TWO KEY ISSUES, SUCH AS PRICE ADJUSTMENT ISSUE FOR A MORE DETAILED PRESENTATION:)

B. ALTHOUGH SOME OF THE OFFICIALS CHARACTERIZED THE TALKS AS AT TIMES "DIFFICULT," THE GENERAL REACTION WAS STRONGLY POSITIVE. THE OFFICIALS CLAIMED THERE HAD BEEN SOME UNCERTAINTY WITHIN GOB ABOUT US ATTITUDE TOWARD NEW AGREEMENT, IN VIEW OF THE VERY LOW PROFILE WHICH US HAD BEEN MAINTAINING IN THE LONDON DISCUSSIONS. THE WASHINGTON TALKS HAD CONVINCED GOB THAT US, WHILE NOT PREPARED TO MAKE A DIFINITIVE COMMITMENT AT THIS TIME, WAS SERIOUSLY INTERESTED IN NEW AGREEMENT. THIS KNOWLEDGE ENABLED GOB TO TRY DIFFICULT TASK OF SEEKING APODUCERS AGREEMENT ON A COMMON APPROACH:

C. IT IS IMPORTANT THAT US SPELL OUT ITS RESERVATIONS ON THE BRAZILIAN CONCEPT AND OFFER SPECIFIC COUNTERPROPOSALS. GOB OFFICIALS ASSERTED THAT US HAD EXPRESSED RESERVATIONS IN VERY BROAD TERMS ABOUT BRAZILIAN SCHEME BUT HAD NOT CLARIFIED HOW THESE GENERAL RESERVATIONS TRANSLATED THEMSELVES INTO MODIFICATIONS OF THE SPECIFIC FEATURES OF A NEW AGREEMENT:

D. REVIEW OF PRICES: GOB OFFICIALS ALLEGED THAT CURRENT BRAZILIAN POSITION ISMOVING AWAY FROM RIGID INDEXATION FORMULAS PROPOSED LAST WINTER. HOWEVER, GOB CONTINUES TO BELIEVE THAT ANNUAL REVIEW OF PRICES SHOULS BE GUIDED BY SOME QUANTITATIVE BENC MARKS (WHICH WOULD NOT NECESSARILY HAVE TO BE BINDING): WITHOUT SUCH GUIDE POSTS ANNUAL REVIEW WOULD BECOME A STRICTLY " "POLITICAL" BARGAINING EXERCISE. EXPERIENCE WITH THE PREVIOUS COFFEE AGREEMENT, THEY ALLEGED, SHOWED THAT THIS WAS UNDESIRABLE:

E. FINACING OF STOCKS: GOB CONTINUES TO BELIEVE THAT PRODUCERS SHOULD NOT BE SOLELY RESPONSIBLE FOR FINANCING STOCKS, WHICH WOULD BENEFIT CONSUMER AS WELL AS PRODUCER COUNTRIES. SOME WAY SHOULD BE FOUND TO SHARE THIS BURDEN, PERHAPS THROUGH INVOLVEMENT OF SOME INTERNATIONAL INSTITUTION SUCH AS THE IMF:

3. WITH RESPECT TO NEGOTIATING SCENARIO, GOB OFFICIALS

EMPHASIZED THT THEY HOPED US WOULD MAKE SPECIFIC PROPOSALS IN THE FORTHCOMING LONDON MEETINGS SO THAT MAY COULD B USED BY COUNTRY DELEGATIONS FOR IN-DEPTH REVIEW OF NATIONAL POSITIONS
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IN CAPITALS PRIOR TO JUNE NEGOTIATIONS. THEY HELD OUT POSSIBILITY THAT GOB WOULD SEEK FURTHER BILATERAL TALKS, IF REQUIRED, AND MADE PITCH FOR CLOSER BILATERAL CONSULTATIONS BETWEEN THE TWO DELEGATIONS AT LONDON. US PLANS AS REPORTED REFTEL B APPEAR TO BE VERY MUCH IN LINE WITH BRAZILIAN EXPECTATIONS AND WERE WELCOMED BY OUR INTERLOCUTORS.
CRIMMINS UNQUOTE
KISSINGER

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